

TARIFF ACTION MEMORANDUM

Date: December 23, 2020
Date Filed: November 30, 2020
Requested Effective Date: January 1, 2021
Statutory End Date: December 30, 2020

To Commissioners:

Robert M. Pickett, Chairman
Stephen McAlpine
Antony G. Scott
Daniel A. Sullivan
Janis W. Wilson

From: John White, Utility Financial Analyst

Subject: TL39-305 Mid-Alaska Pipeline, LLC (Mid-Alaska) Monthly Service Payment Revision

Staff recommends the Commission:

1. The Commission should approve Tariff Sheet No. 20, Second Revision, Cancelling First Revision, as corrected by Staff,¹ filed in TL39-305 on November 30, 2020, attached to this memorandum as Schedule JDW-1. The effective date of Tariff Sheet No. 20 should be January 1, 2021.

Signed: John White Title: Utility Financial Analyst
John White

Commission decision re this recommendation:

	DATE (If different from 12/23/20)	I CONCUR	I DO NOT CONCUR	I WILL WRITE A DISSENTING STATEMENT*
Pickett	_____	<u>RMP</u>	_____	_____
McAlpine	_____	<u>SM</u>	_____	_____
Scott	_____	<u>AGS</u>	_____	_____
Sullivan	_____	<u>DS</u>	_____	_____
Wilson	_____	<u>JW</u>	_____	_____

Special Instructions to Staff: _____

*If this column is initialed, Staff will contact the Commissioner for the statement. Otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

¹ Staff changed the margin notation "I" to "R", as the proposed rate is a reduction from the previously approved rate in TL38-305.

MEMORANDUM

To: Robert M. Pickett, Chairman
Stephen McAlpine
Antony G. Scott
Daniel A. Sullivan
Janis W. Wilson

Date: December 23, 2020

From: John White
Utility Financial Analyst

Subject: TL39-305

Recommendation

1. The Commission should approve Tariff Sheet No. 20, Second Revision, Cancelling First Revision, as corrected by Staff,² filed in TL39-305 on November 30, 2020, attached to this memorandum as Schedule JDW-1. The effective date of Tariff Sheet No. 20 should be January 1, 2021.

Background

In Order P-15-005(1),³ the Commission accepted a Settlement Agreement between GVEA and Petro Star Inc. (Petro Star) which established the rate methodology and rates under which GVEA will provide, and Petro Star will receive pipeline services on the GVEA Pipeline System. During the term of the agreement, GVEA's total revenue requirement for each calendar operating year shall be equal to the sum of GVEA's annual pipeline operating expenses plus an annual minimum net operating income of \$300,000, which shall be divided into twelve equal installments, rounded to the nearest dollar, and invoiced monthly by GVEA.⁴

² Staff changed the margin notation "I" to "R", as the proposed rate is a reduction from the previously approved rate in TL38-305.

³ *Order Accepting Settlement Agreement, Approving Tariff Sheets, and Closing Docket*, dated February 13, 2015.

⁴ *Petition for Acceptance of Settlement, and Approval of Tariff Sheets; and if Necessary, Granting of Interim and Refundable Rates*, January 30, 2015 (Petition), Exhibit 1, 2015 Settlement, page 3 of 9.

With Docket P-18-017 GVEA and Mid-Alaska filed a joint application requesting approval to transfer Certificate No. 305 from GVEA to Mid-Alaska Pipeline, LLC (Mid-Alaska).⁵ GVEA and Mid-Alaska also filed a joint motion for expedited consideration, in which they requested a ruling on the joint application by December 14, 2018.⁶ On December 14, 2018 the Commission granted the joint application to transfer Certificate of Public Convenience and Necessity (Certificate) No. 305 from GVEA to Mid-Alaska. The Commission amended Certificate No. 305 to reflect the current pipeline and facilities infrastructure, ordered that Certificate No. 305 be transferred to Mid-Alaska Pipeline, LLC effective the date of the closing of the transaction, and further required Mid-Alaska to file a tariff in its own name within ninety days after the filing of the tariff adoption notice reflecting the changes resulting from the transfer of Certificate No. 305.⁷ As required in Order P-18-017(2), GVEA timely filed a notice that the transaction had closed. The closing took place on February 28, 2019.⁸ On December 23, 2019, the Commission issued order P-18-017(3) granting acceptance of compliance filings by Mid-Alaska, approved Tariff Sheets and closed Docket P-18-017.⁹

On December 10, 2019, Mid-Alaska filed TL38-305, which revised Mid-Alaska's tariff to include the current calculations of the shippers Pipeline Service Charges for calendar year 2020. TL38-305 included Tariff Sheet No. 20, which reflected the 2020 monthly service payment calculated by Mid-Alaska of \$468,630 an increase of \$59,965 from the previously approved rate of \$408,665. On January 6, 2020, the Commission approved Tariff Sheet No. 20 with an effective date of January 1, 2020.¹⁰

⁵ *Joint Application for the Transfer of CPCN No. 305 from GVEA, Inc. to Mid-Alaska Pipeline, LLC*, filed August 23, 2018 (Joint Application).

⁶ *Joint Motion for Expedited Consideration*, filed August 23, 2018.

⁷ Order P-18-017(2) *ORDER GRANTING JOINT MOTION FOR EXPEDITED CONSIDERATION, GRANTING JOINT APPLICATION, AMENDING CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY NO. 305, AND REQUIRING FILINGS*, dated December 14, 2018.

⁸ *Notice of Closing*, filed March 7, 2019.

⁹ Order P-18-017(3) *ORDER GRANTING MOTION, ACCEPTING COMPLIANCE FILINGS, APPROVING TARIFF SHEETS, REDEISGNATING COMMISSION PANEL, AND CLOSING DOCKET*, dated December 23, 2019.

¹⁰ Letter Order Number L2000006, dated January 7, 2020.

Filing

On November 30, 2020, Mid-Alaska filed TL39-305, which revises Mid-Alaska's tariff to include the current calculations of the shippers Pipeline Service Charges for calendar year 2021. TL39-305 included Tariff Sheet No. 20, which reflects the 2021 monthly service payment calculated by Mid-Alaska of \$418,577, a decrease of \$50,053 from the rate of \$468,630 previously approved in TL38-305.¹¹ Mid-Alaska requested the Commission approve TL39-305 with an effective date of January 1, 2021.¹²

Notice

TL39-305 was noticed to the public on December 1, 2020, with a request that any comments in favor of, or in opposition to the filing be filed by no later than December 22, 2020. In addition to the Commission's public notice, Mid-Alaska provided a copy of TL39-305, along with supporting schedules reflecting the estimated revenues and expenses, revenue requirements, and monthly service payments for calendar year 2021 to Petro Star.¹³

The Commission received one comment in support of Mid-Alaska's revision in TL39-305. Petro Star submitted a comment¹⁴ supporting Mid-Alaska's calculation of the 2021 rates and Mid-Alaska's request to approve the changes with an effective date of January 1, 2021.

Analysis

Staff requested the supporting schedules Mid-Alaska used to calculate the 2021 monthly service payment. Mid-Alaska provided Staff with the supporting schedules which included the estimated revenues, expenses and calculations of the 2021 monthly service payment.¹⁵

Section 4.0 through 6.0 of the 2015 settlement agreement establishes the rate methodology and rates under which Mid-Alaska will provide, and Petro Star will

¹¹ Id.

¹² TL39-305, Tariff Advice Letter, at page 2.

¹³ TL39-305, Tariff Advice Letter, at page 2.

¹⁴ TR2006856, Public Comment filed by Petro Star, December 8, 2020.

¹⁵ On December 1, 2020 Mid-Alaska provided Excel spreadsheets with working links and calculations to Staff, with a request of confidentiality under 3 AAC 48.040(b)(10) and 3 AAC 48.045(b)(1).

receive pipeline services on the Mid-Alaska Pipeline System.¹⁶

Section 4.3.2 of the settlement agreement states “GVEA¹⁷ will file an amendment to its Pipeline System Tariff No. 2 regarding the revenue requirements for each calendar operating year by the end of November of the proceeding calendar operating year at issue. For purposes of establishing the rates for the next calendar operating year, the revenue requirements shall be based on the January through October actual expenses and the estimated expenses for the remaining two months of the year including normalizing entries for known and measurable changes that will occur during the calendar operating year in which the rates will be in effect.”¹⁸

Staff reviewed the provided calculations and rates in accordance with the settlement agreement to verify mathematical accuracy and noted no exceptions.

Tariff Sheet

Staff recommends the Commission approve Tariff Sheet No. 20, Second Revision, Cancelling First Revision, as corrected by Staff,¹⁹ filed in TL39-305 on November 30, 2020. Staff has included a copy of Tariff Sheet No. 20 in side-by-side format shown as Schedule JDW-1, attached to this memorandum. The Commission should approve Tariff Sheet No. 20 with an effective date of January 1, 2021.

Signature: 

Email: bob.pickett@alaska.gov

Signature: 
Stephen McAlpine (Dec 23, 2020 12:23 AKST)

Email: stephen.mcalpine@alaska.gov

Signature: 
Antony Scott (Dec 23, 2020 12:43 AKST)

Email: antony.scott@alaska.gov

Signature: 
Daniel Sullivan (Dec 23, 2020 14:20 AKST)

Email: daniel.sullivan@alaska.gov

Signature: 
Janis Wilson (Dec 23, 2020 15:14 AKST)

Email: janis.wilson@alaska.gov

¹⁶ *Petition for Acceptance of Settlement, and Approval of Tariff Sheets; and if Necessary, Granting of Interim and Refundable Rates*, January 30, 2015 (Petition), Exhibit 1, 2015 Settlement, page 3-5 of 9.

¹⁷ On March 22, 2019, Mid-Alaska formally adopted GVEA's tariffs, including Tariff Sheet 20, requiring Mid-Alaska to adopt the rate calculation methodology.

¹⁸ *Petition for Acceptance of Settlement, and Approval of Tariff Sheets; and if Necessary, Granting of Interim and Refundable Rates*, January 30, 2015 (Petition), Exhibit 1, 2015 Settlement, page 3 of 9..

¹⁹ Staff changed the margin notation “I” to “R”, as the proposed rate is a reduction from the previously approved rate in TL38-305.

RCA No. 305 1st Revision Sheet No. 20
Canceling
ORIGINAL Sheet No. 20

RECEIVED
DEC 31 2019
STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

MID-ALASKA PIPELINE, LLC

SECTION C – RATES

APPLICATION

Shippers will pay a Monthly Service Payment established for each Shipper in this Section C – Rates for each Calendar Operating Year. Each Shipper is obligated to pay its share of the Revenue Requirements set for a Calendar Operating Year on a take-or-pay basis for that Calendar Operating Year. The Monthly Service Payment developed for a Calendar Operating Year, once set, shall continue in effect until the Commission issues an order changing those rates.

PIPELINE SERVICE CHARGES

1. Monthly Service Payment: \$468,630.00* **I**

*The amount of the Monthly Service Payment Mid-Alaska receives shall not change during the Calendar Operating Year. The Revenue Requirements that the Monthly Service Payment is derived from will be set annually for each Calendar Operating Year and be trued-up following the end of year audit of pipeline financial records for that Calendar Operating Year as set forth in this Section C – Rates.

2. Revenue Requirement Determination:

The Calculation of the adjusted test year Revenue Requirements shall be performed for each Calendar Operating Year in the following manner:

- a. A projected test year ended December 31, normalized for known and measurable changes, will be used to determine the Revenue Requirements used for each upcoming Calendar, Operating Year until an order is issued by the Commission changing the rates and/or rate methodology. The financial date for the projected test year ended December 31 will be developed using the actual expenses for January through October and the estimated expenses for November and December for the year preceding the upcoming Calendar Operating Year.

Pursuant to: _____
Tariff Advice No. TL38-305

Effective: **January 1, 2020**

Issued By: Mid-Alaska Pipeline, LLC

By: Warren J. Christian
Warren J. Christian

Title: President

RCA No. 305

Second Revision
Canceling: First Revision

Sheet No. 20
Sheet No. 20

TARIFF SECTION
RECEIVED
NOV 30
2020
RCA

MID-ALASKA PIPELINE LLC.

Section C - RATES

APPLICATION

Shippers will pay a Monthly Service Payment established for each Shipper in this Section C – Rates for each Calendar Operating Year. Each Shipper is obligated to pay its share of the Revenue Requirements set for a Calendar Operating Year on a take-or-pay basis for that Calendar Operating Year. The Monthly Service Payment developed for a Calendar Operating Year, once set, shall continue in effect until the Commission issues an order changing those rates.

PIPELINE SERVICE CHARGES

1. Monthly Service Payment: \$418,577* **+ R**

*The amount of the Monthly Service Payment Mid-Alaska receives shall not change during the Calendar Operating Year. The Revenue Requirements that the Monthly Service Payment is derived from will be set annually for each Calendar Operating Year and be trued-up following the end of year audit of pipeline financial records for that Calendar Operating Year as set forth in this Section C – Rates.

2. Revenue Requirements Determination:

The Calculation of the adjusted test year Revenue Requirements shall be performed for each Calendar Operating Year in the following manner:

- a. A projected test year ended December 31, normalized for known and measurable changes, will be used to determine the Revenue Requirements used for each upcoming Calendar Operating Year until an order is issued by the RCA changing the rates and/or rate methodology. The financial data for the projected test year ended December 31 will be developed using the actual expenses for January through October and the estimated expenses for November and December for the year preceding the upcoming Calendar Operating Year.

Tariff No: TL39-305

Effective: January 1, 2021

Issued by: Mid-Alaska Pipeline LLC.

By: Warren Christian

Title: President